Franklin Templeton Stewardship Policy

Stewardship is the responsible management of the assets entrusted to our care and includes engagement with companies and other issuers of the securities we invest in, and the responsible discharge of voting rights. We consider stewardship and the integration of material environmental, social and governance (ESG) factors into investment analysis to be an integral part of our fiduciary duty to our clients and their beneficiaries. We believe that stewardship is not a single act but a continuous process. It covers how we behave as investors, how we treat our clients and how we behave as a business. As active investors we believe that good stewardship is essential to preserving and enhancing long-term value.

Our **stewardship activities** include monitoring and engagement on topics including strategy, performance, risk (including social and environmental risk) and governance (including remuneration and culture). Stewardship can also relate to developing a more thorough understanding of how systemic, global risks are materialising and may impact investments and the financial system as a whole. This engagement may be undertaken individually by our investment teams or collectively, with other investors.

We consider two types of engagement:

1. **'engagement for change'** which is a purposeful dialogue to influence positive change, with defined objectives; and
2. **'engagement for information'** which forms part of issuer monitoring and is value additive in communicating what's important to us, building relationships, and achieving a more complete understanding of an issuer's strategy and practices.

We believe that good stewardship plays a role in enhancing overall financial market stability and sustainable economic growth. Our approach to stewardship therefore also includes engagement on public policy and best practice with regulators, standard setters and other relevant stakeholders. Lastly, we understand that the ability to vote is one of our key formal rights as investors and an important way to communicate with the companies in which we invest. Therefore, we endeavor to exercise our voting rights, wherever practicable and in our clients' best interests.

We adhere to several codes, regulations and principles which are aligned with our stewardship approach, including:

- **Global:** Principles for Responsible Investment
- **Europe:** Shareholder Rights Directive II
- **Australia:** Principles of Internal Governance and Asset Stewardship
- **Hong Kong:** Principle of Responsible Ownership
- **Japan:** Stewardship Code
- **Korea:** Stewardship Code
- **Singapore:** Stewardship Principles for Responsible Investors
- **UK:** Stewardship Code

Franklin Templeton's approach to responsible investment and stewardship is described in the following documents:

- Our Responsible Investment Policy
- Our Stewardship Policy
- Our Proxy Voting Policies and Procedures

Our investment teams apply and adapt these policies to support their particular investment philosophy and the specific asset classes, time horizons, geographies and markets in which they invest. These policies are reviewed annually and are published on our website www.franklintempleton.com.

As responsible stewards we are concerned with value creation over the long term in a manner that is value additive to our investment process and in our clients' best interests. Approaches and opportunities to undertake stewardship vary by asset class and the nature of the strategy. While this policy covers all asset classes, it refers primarily to actively managed fundamental strategies in our equity, corporate debt and sovereign debt offerings. Investment groups also engage in other asset classes and strategies where practicable and in a manner that best fits the process, time horizon and objectives of those investments.

Stewardship Process

Stewardship comprises identification of material investment risks, active monitoring of holdings, engagement and proxy voting (where applicable).

1. Identifying Risks in Our Portfolios

The first step in stewardship is considering the material risks applicable to an investment by our portfolio managers and

research analysts considering material issues based on fundamental research as part of their research responsibilities.

Risks include all material financial and economic issues which may impact investments, including integration and assessment of material ESG risks, for which the portfolio managers and analysts are supported by the firm's ESG team as well as independent risk consultants in our Investment Risk Management Group.

Franklin Templeton's approach is designed to ensure that material risks are considered and reflected appropriately throughout the various steps of the investment cycle. One of the important strategies for effective integration is to embed these considerations in the work of our mainstream researchers, who consider material risk (including ESG risk) factors and data throughout the investment valuation and in on-going monitoring. The materiality of a risk will be measured against its potential impact during the likely holding period; our active managers will typically have a medium- to long-term view on an investment (subject to the client's guidelines) and so emerging risks can be as important as current ones.

In addition to proprietary due diligence, teams may leverage in-house models and analytics, external data, as well as collaboration from the firm's ESG specialists. The ESG team helps support the development of ESG analytical tools, policy and thought leadership across the organization, and acts as internal consultants on ESG processes and research topics.

Our investment teams do not seek to avoid risk, rather to ensure investments can appropriately compensate for the risk taken. Analysts therefore may seek to mitigate and manage risks through monitoring and/or engagement with an issuer where a material financial, economic or sustainability risk has been identified.

Within each Investment group there is an ESG Ambassador who has been appointed to ensure, together with the relevant Director of Research and Chief Investment officer, the effective and systematic integration of ESG in the research process. The ESG Ambassador also acts as the primary point of contact for the ESG team and is a member of the internal ESG working groups which enable us to share ESG best practices, research and dialogue across Franklin's investment functions. Our philosophy to ESG is guided by the firm's ESG Committee which oversees ESG strategy and approaches across the organisation.

2. Monitoring

Ongoing monitoring of issuers and dialogue with management are fundamental to our investment approach. The strategy for engagement with individual investee companies and issuers is devised by our investment managers, based on research undertaken on each investee company and its particular circumstances. As part of the ongoing investment review process, the investment manager may hold regular meetings with the senior management of investee companies or the governing bodies of issuers in whose securities we have invested.

We actively monitor companies and issuers of securities to assess their alignment with our investment objectives and their ability to protect and promote long term value for our clients and beneficiaries.

Our investment groups prioritize monitoring and engagement based on various factors, including:

- the size of the holding in the security
- the track record of the company
- immediacy of concerns
- client interest in a particular issue or theme, and
- in response to proactive engagement by companies

Research analysts obtain information from a variety of sources, including (but not limited to):

- investee companies or issuers
- government institutions and officials
- specialist research providers
- supranational organisations, think-tanks and NGOs
- academic papers and government studies
- independent and broker research
- current and historical news
- company, industry and country statistics and trends

For our fundamentally researched assets, we maintain primary contact with companies and issuers through our network of investment analysts responsible for producing regular investment reports. These reports aim to cover everything relevant to the investment decision, including strategic, environmental, social and governance risks and opportunities. Meetings with management play an important role in the research process for equities and corporate bonds. These meetings provide portfolio managers and analysts with an understanding of management's forward planning and facilitate an assessment of progress towards that plan. In these discussions, we seek to understand the company or issuer's long-term strategy, not just its immediate goals, through a detailed assessment of financial and non-financial aspects, performance and risk, and overall capital structure.

The company's annual general meeting (AGM) also provides an opportunity for monitoring and engagement on topics related to the meeting agenda for equity shareholders. Our investment managers will generally review all shareholder meeting proposals, including those that may be considered routine, and will assess each proposal on its merits, based on the relevant facts and circumstances. In advance of the AGM, the investment manager may engage with companies to discuss specific proposals in order to obtain further information or clarification on the proposals. This includes understanding material deviations from relevant corporate governance codes. Although we encourage harmonization of global standards of best practice and we contribute to this goal directly and through trade associations, we also understand that there may be good reasons for market specific practices to diverge from global standards in some cases.

Analysts will also monitor companies leveraging external sources including but not limited to capital market and industry news flow, external research and broker reports, ESG ratings and research.

3. Engagement

Engagement is led by our investment groups, beginning with portfolio managers and investment analysts monitoring and considering material issues which are potentially worthy of engagement as part of their research processes.

As long-term investors, we undertake engagement in a spirit of partnership and we aim to work with companies and other issuers in which we invest to understand and address areas of concern. We do this because we believe this partnership and dialogue can lead to improved investment outcomes for our clients.

Scope

At Franklin Templeton our engagement extends to many issuers of capital including listed and unlisted companies, as well as municipal and national governments. The nature and extent of engagement can be influenced by the type of issuer with which we are engaging. We prefer to engage with decision makers who can affect change at board or senior management level for corporates and with senior ministers for Government debt. We prefer a non-adversarial approach to engagement, as this leads to better outcomes for both parties.

Prioritization

The number and frequency of our engagement meetings depend on the size of the company or complexity of the debt, the ownership level of the company, the materiality of any issue and the scale of our investment.

Analysts may identify opportunities for engagement during research and monitoring, as a result of an event, such as a takeover offer from a rival, a controversy or serious compliance issue, or to proactively address an industry or market concern, such as a major regulatory change.

Investment groups will decide which companies or issuers to engage with, either proactively contacting them based on analyst research or in reaction to a particular event. The analysts will also consider prioritization based on factors such as the size of holdings, the need to address a specific issue affecting a company, sector or market, the severity or materiality of the issue, ESG disclosure standards or as part of research into an ESG theme. Engagement can take place at any point in the investment cycle, including pre-investment, post-investment, prior to divestment or as part of debt restructuring.

There may be instances in which engagement would be inconsistent with the investment manager's fiduciary duty and the client's best interest. For example, in the process of company research and monitoring, a significant issue may be identified, and the investment manager may decide it is simply better to sell a position than seek to engage with management– where there is a limited prospect of a satisfactory outcome within a reasonable holding period.

Purpose

Engagement can be undertaken with the intention of gathering information to inform our investment views *('engagement for information')* or to affect a particular outcome *('engagement for change')*. Our Investment groups may reach out to companies or issuers as part of regular investment meetings or roadshows or may arrange specific meetings or calls to discuss the particular topic or concern. Investment groups seek to partner with companies and other issuers and engage in a constructive manner which we believe leads to value creation. To ensure trust and transparency the investment teams will communicate the rationale for the engagement, their expectations or objectives for the meeting, as well as any examples that we can share to improve practices.

Asset Type

We recognize that stewardship must fit with the investment strategy of the investment team and be value additive to our clients. Engagement therefore may vary based on the nature of the asset under consideration, whether we have a direct or indirect investment, and whether the entity is private or publicly held.

- **Sovereign and Supranational Debt**

  In assessing a country or region's ability to service its future debt obligations and liabilities, we believe that standards of good governance apply to governments, just as they do to corporations, and this is critical in our analysis. We analyze the strength and capacity of institutions, their priorities, policies, regulations, and regulatory enforcement capabilities as indicators of the effectiveness of government. While governance is a central theme in our research, social and environmental issues can provide valuable insights into risks and opportunities, as well.

  Due to the nature of these investments, our investment groups spend a significant amount of time meeting with central bank officials, government policy makers, and local business leaders to assess fundamental economic conditions, which include ESG related issues. Frequent onsite visits to the respective regions also help to gather information that would otherwise be unavailable, such as tax revenue sources, trade data, and economic assumptions and sensitivities used in fiscal budget planning.

- **Fund of Funds**

  Where we are investing in a fund of funds structure, we recognize that our role as stewards may be implemented by engaging with the managers through which we invest.

  We therefore seek to use our influence in constructive and open dialogue with our underlying managers. This also includes promotion of stewardship methodologies, ESG philosophies and risk integration as part of their investment approach. ESG and stewardship together form an important component of our investment research and on-going due diligence. We recognise that best practices are still evolving in certain strategies with respect to stewardship and ESG and we seek to partner with managers as they develop their approaches.

- **Quantitative and Passive Funds**

  Where our strategies are rules-based, for example through quantitative models or adherence to a specific index, the opportunities to effectively implement stewardship may be relatively limited. For these solutions, we vote our holdings in line with international best practices. The nature of the investment process, quantity and duration of holdings within a strategy will determine if active engagement is in clients' interests. Where engagements are undertaken this will typically be led by our fundamental research analysts from actively managed strategies, who maintain a direct relationship with the issuers concerned. Engagements are recorded and shared between teams in a central engagement tool.

- **Real Estate**

  Where we are making direct investments in real estate, we are committed to stewardship of those assets, and the management of the properties that we acquire on behalf of our clients. We strive to endeavour that all employees, partners, and suppliers also commit to reducing the environmental impacts of operations and redevelopment in order to provide a sustainable impact and long-term value for our investors, tenants, key stakeholders and the communities in which we invest.

Monitoring

We capture records of our engagements and their outcomes in meeting notes and research reports, which are maintained in our investment groups' respective research databases.

We have also developed a central engagement tracking platform to record and manage engagement activity. In this way, engagement actions and insights are systematically recorded and shared with the other members of the investment group, as appropriate, and can be extracted for the purposes of engagement reporting. Analysts capture and track notable improvements or changes which allow them to assess the effectiveness of the engagement and to adjust their engagement strategy accordingly. These records are also used by Franklin Templeton management to assess the effectiveness with which an analyst has applied our stewardship philosophy and considered ESG factors in their conduct of the investment process, and also contribute to management's review of the individual's performance.

Escalation

There are many reasons why we may escalate engagement with a company, and escalation may happen naturally as an engagement for information evolves into an engagement for change. Common examples that would indicate an increased need of engagement include failings in governance or management structure, failure to respond to investor concerns or to implement agreed strategy, deterioration in standards, increased severity or risk of a particular issue, or where a major event has impacted or is likely to impact long-term value.

We consider escalation within our engagement strategy based on the nuances of the engagement, and next steps may include engaging members of the board where management is not responsive, taking voting actions, initiating more public or collaborative engagement, filing shareholder resolutions or divesting where we consider the investment to be no longer in our clients' best interests.

Collaborative and Policy Engagement

We may collaborate with other institutional investors to engage with companies and issuers when we believe this is likely to advance our clients' interests, is consistent with our firm's policies and procedures and is permissible under applicable laws and regulations. These collaborations may occasionally require the negotiation of confidentiality and other legal agreements between the parties and may increase our public reporting requirements and restrict our ability to trade freely on behalf of clients. Therefore, we will consider the costs and commitments involved in deciding whether a collaborative approach should be undertaken, on a case-by-case basis.
We may also collaborate with institutional investors to engage with policy makers and regulators, through our membership of various global and regional associations, some of which are indicated in the timeline below. As a member of these organisations, we regularly contribute to discourse, but we may also elect to communicate our views directly to the appropriate policy or regulatory body.

Through these industry bodies, and membership of regional policy committees, Franklin Templeton works collectively with other institutional investors to develop best practice in stewardship.

4. Proxy Voting

Our investment groups understand their fiduciary duty to vote and that voting decisions may affect the value of investments. Franklin Templeton has adopted guidelines for exercising voting rights in accordance with its fiduciary duties and clients' best interests.

The voting guidelines reflect what the investment groups believe to be good corporate governance and behaviour on several issues pertaining to boards of directors, the ratification of auditors, management and director compensation, anti-takeover mechanisms and related issues, changes to capital structure, mergers and corporate restructuring, environmental and social issues, governance matters, proxy access, and global corporate governance. As a global investor, Franklin Templeton recognizes that governance practices may vary by country, given local legal constraints and accepted market practices. With decades of investment experience and global research coverage, our analysts are skilled in understanding the complexities of the regions in which they specialize and are trained to analyze proxy issues germane to their regions.

When necessary, we will engage with company management to improve our understanding of an issue prior to voting, and where practicable, we will follow up afterwards should we decide to oppose the recommendations.

We will always attempt to vote each ballot, though there may be obstacles such as excessive administrative costs, share-blocking or other restrictions in certain markets due to local regulations. Where these issues arise, the investment manager will decide whether voting would be the best course of action for our clients on a case-by-case basis.

The Proxy Group is a central administrative function which supports our investment groups with respect to exercising voting rights for securities. To assist in analyzing voting proposals in relation to equity securities, the firm subscribes to Institutional Shareholder Services Inc. ("ISS") and Glass, Lewis & Co., LLC ("Glass Lewis"), unaffiliated third-party corporate governance research services that provide in-depth analyses of shareholder meeting agendas and vote recommendations. In addition, we subscribe to ISS's Proxy Voting Service and Vote Disclosure Service. We review and consider vote recommendations from these third-party services prior to making our final voting decisions, based on our investment managers' independent judgment.

We recognize some votes may hold particular significance to our clients, the investment company, or by virtue of the topic, and we actively identify these votes for additional oversight. Where we have determined a vote to be significant, we will report to clients annually on the actions taken on these agenda items and our rationale. We also maintain records of our voting activity and proxy voting policies on our website.

Managing Conflicts of Interest

Franklin Templeton conducts its business according to the principle that it must manage conflicts of interest fairly between itself and its clients, or between multiple clients. We take actual, perceived or potential conflicts of interest very seriously. Our policy is to maintain and operate effective organizational and administrative controls to identify and manage potential conflicts of interest.

We take all reasonable steps to avoid potential or actual conflicts of interest arising from engagement or proxy voting activity. Conflicts may arise for instance when engaging with companies with which FTI has a commercial relationship, or when engaging with companies with which our staff have material personal holdings or a personal relationship. We segregate engagement and proxy voting activities so that client relationship managers are not involved in engagement or voting recommendations. Where an investment team member has a personal relationship with a company, that team member is not allowed to be involved in any engagement with that company. If any member of Franklin Templeton identifies potential conflicts in relation to a company with which they are engaging, they are required to raise these with their line manager and Compliance team. Conflicts which cannot be avoided will be recorded, managed and where required by regulations, disclosed publicly.

In addition to our specific *Franklin Templeton Conflict of Interest Policy* and supporting documentation, each investment group explicitly addresses conflicts of interest in its Proxy Voting Policy.

Investment managers with the discretionary authority to vote proxies relating to securities held by their clients, may have the ability to affect the outcome of shareholder votes and influence the governance of corporations. In this way, Investment managers are in a position to significantly affect the future of corporations and, as a result, the future value of securities held by their clients. Therefore, conflicts of interest could arise in situations where the company is a client of Franklin Templeton, or the company is a vendor whose products or services are material or significant to our business.

Conflicts of interest relating to voting are identified by the Proxy Group based upon analyses of client, distributor, broker dealer, and vendor lists, information periodically gathered from directors and officers, and information derived from other sources, including public filings.

In situations where a conflict of interest is identified between Franklin Templeton or one of its affiliates and a company holding a vote, the Proxy Group may vote consistently with the voting recommendation of a Proxy Service (such as ISS or Glass Lewis). Where the client has retained discretion on voting, the Proxy Group may send the proxy directly to the relevant Advisory Client including Franklin Templeton's recommendation for the vote for approval. When there is a conflict of interest and Franklin Templeton wishes to vote in line with management's recommendation, while the third-party Proxy Service providers recommend voting against management, the conflict will be resolved following Franklin Templeton's proxy voting policies and procedures, to ensure that Franklin Templeton is acting in the best interest of clients.

The work of the Proxy Group is subject to review by the internal audit department of Franklin Templeton.

A copy of our *Conflicts of Interest Policy* is published on the Regulatory Information page on our website www.franklintempleton.com.

Our Proxy voting policies are available on our website at www.franklintempleton.com.

Securities Lending

Some of our pooled vehicles may engage in securities lending to improve investment returns, however lending securities can complicate the ability to vote in relation to them. If the investment manager becomes aware that a significant vote is approaching in relation to securities on loan and if the investment manager decides it would be in the best interests of clients to recall the security, our stocklending group will use its best efforts to recall any security on loan, and may use other practicable and legally enforceable means to ensure that the investment manager is able to exercise the voting right. Separately managed accounts (SMAs) often have their own securities lending program set up between the client and their custodian or other agent; Franklin Templeton is typically not authorized to recall securities that SMA clients have on loan.

Reporting

We report annually on our stewardship activities. These annual disclosures are in line with the European Shareholder Rights Directive II and UK Stewardship Code and are available on our website. Additional reporting, including our annual *PRI Transparency Report* can also be found on our website.

We provide summary information to clients on the exercise of voting rights; these reports can also be tailored to the clients' particular areas of interest.

FRANKLIN TEMPLETON